

Sell

(Maintained)

Unilever Indonesia (UNVR IJ)

FY24-25 Estimates Cut Post Weak 3Q24 Earnings, Recovery Anticipated in 2025

Last Price (Rp)	2,330
Target Price (Rp)	1,900
Previous Target Price (Rp)	2,300
Upside/Downside	-18.5%

No. of Shares (mn)	38,150
Mkt Cap (Rpbn/US\$m)	88,890/5,691
Avg, Daily T/O (Rpbn/US\$m)	53.6/3.4
Free Float (%)	15.0

Major Shareholder (%)	
Unilever Indonesia Holding B.V.	85.0

EPS Consensus (Rp)			
	2024F	2025F	2026F
BRIDS	95.1	96.3	104.0
Consensus	121.4	127.0	135.5
BRIDS/Cons (%)	(21.7)	(24.2)	(23.2)

- UNVR posted disappointing 3Q24 earnings due to bumpy sales recovery and several key issues that need to be addressed in the coming quarters.
- We see channel conflicts and stock reductions hindering solid revenue growth in the near term, with recovery expected only by 3Q25.
- We have revised down our FY24-25F net profit by 20% and lowered our TP to Rp1,900 with an implied PE of 19.7x. Maintain Sell rating.

3Q24 results: Below estimates with continued weak revenue

UNVR reported a 3Q24 net profit of Rp543bn, (-62% yoy/ -47% qoq), bringing the 9M24 net profit to Rp3tr (-28% yoy). Weak sales, coupled with lower margins (driven by an additional transformation cost of 1.9% to rev.) and higher opex, continued to weigh on 3Q24 earnings. Both the HPC and FNR segments reported lower rev. in 9M24 and 3Q24, impacted by price instability and customer stock reductions. In 3Q24, UVG (Underlying Volume Growth) declined by 16% yoy, while UPG (Underlying Price Growth) fell 2% yoy.

Recovery expected only in 3Q25

We had previously anticipated sales to bottom out in 3Q24, followed by a recovery in 4Q24 (from a low base), and continuing into FY25. However, in a recent meeting, management highlighted several challenges, including a bumpy recovery post-boycott, leading to aggressive promotions and channel conflicts, which further exacerbated inventory imbalances across trade channels. As a result, the mgmt. expects further stock reductions and price harmonization across channels in the coming quarters. Mgmt. also expects cost efficiency programs to provide support for margins in 4Q24 and onward. UNVR mgmt. anticipates improved performance to only start in 3Q25.

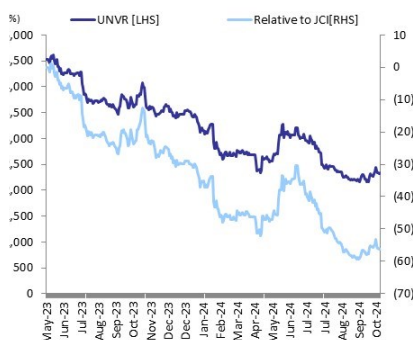
We revised down our FY24/25F net profit by 20%

Following the weak 3Q24 results, we trimmed our FY24/25F rev. by 2-4%, reflecting lower vol. We believe that the ongoing promotions and inventory push will hinder margin improvement, leading us to lower our FY24/25F GPM by 190/200bps. However, we anticipate that various initiatives will result in greater operational efficiency in opex. As a result, we revised down our FY24/25 net profit by 20%, which translates to FY24/25F net profit growth of -24.4% and +1.3% yoy.

Maintain Sell with a lower TP of Rp1,900

We lower our TP to Rp1,900 based on DCF valuation with an implied FY25F PE of 19.7x, still below its -1.5SD avg 5y PE of 22x. Upside risks to our recommendation include a faster recovery in 4Q24-1Q25 and lower commodity prices, which could support margins.

UNVR relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Natalia Sutanto

(62-21) 5091 4100 ext. 3508
natalia.sutanto@brids.co.id

Sabela Nur Amalina

(62-21) 5091 4100 ext. 4202
sabela.amalina@brids.co.id

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	41,219	38,611	35,479	35,623	37,005
EBITDA (Rpbn)	7,880	7,015	5,426	5,518	5,833
EBITDA Growth (%)	(7.4)	(11.0)	(22.6)	1.7	5.7
Net Profit (Rpbn)	5,365	4,801	3,628	3,676	3,967
EPS (Rp)	140.6	125.8	95.1	96.3	104.0
EPS Growth (%)	(6.8)	(10.5)	(24.4)	1.3	7.9
BVPS (Rp)	104.8	88.6	89.0	89.4	89.8
DPS (Rp)	140.0	125.3	94.7	96.0	103.6
PER (x)	16.6	18.5	24.5	24.2	22.4
PBV (x)	22.2	26.3	26.2	26.1	25.9
Dividend yield (%)	6.0	5.4	4.1	4.1	4.4
EV/EBITDA	11.3	12.5	16.3	16.0	15.1

Source: UNVR, BRIDS Estimates

Exhibit 1. UNVR 9M24/3Q24 Earnings Result

UNVR UJ	9M23	9M24	YoY, %	3Q23	2Q24	3Q24	QoQ, %	YoY, %	2024F	A/F, %	A/C, %
(in Rpbn)											
Net sales	30,506	27,417	-10.1%	10,214	8,964	8,373	-6.6%	-18.0%	35,479	77%	73%
COGS	15,232	14,137	-7.2%	5,057	4,529	4,561	0.7%	-9.8%	18,546		
Gross profit	15,274	13,281	-13.0%	5,157	4,435	3,813	-14.0%	-26.1%	16,934	78%	71%
Opex	9,819	9,367	-4.6%	3,328	3,127	3,090	-1.2%	-7.2%	12,213		
Operating profit	5,455	3,913	-28.3%	1,828	1,308	723	-44.7%	-60.4%	4,721	83%	65%
Pretax profit	5,391	3,864	-28.3%	1,817	1,309	696	-46.9%	-61.7%	4,686		
Net profit	4,189	3,010	-28.1%	1,430	1,018	543	-46.7%	-62.0%	3,628	83%	65%
(in %)											
Gross margin	50.1%	48.4%		50.5%	49.5%	45.5%			47.7%		
Opex to revenue	32.2%	34.2%		32.6%	34.9%	36.9%			34.4%		
Operating margin	17.9%	14.3%		17.9%	14.6%	8.6%			13.3%		
Net margin	13.7%	11.0%		14.0%	11.4%	6.5%			10.2%		
Breakdown by divisions											
	9M23	9M24	YoY, %	3Q23	2Q24	3Q24	QoQ, %	YoY, %			
Revenue (Rpbn)											
HPC	19,922	17,593	-11.7%	6,671	5,839	5,312	-9.0%	-20.4%			
FNR	10,584	9,824	-7.2%	3,543	3,125	3,062	-2.0%	-13.6%			
Segment result (%)											
HPC	26.1%	21.8%		25.7%	23.0%	14.7%					
FNR	19.0%	17.6%		17.6%	16.8%	15.6%					

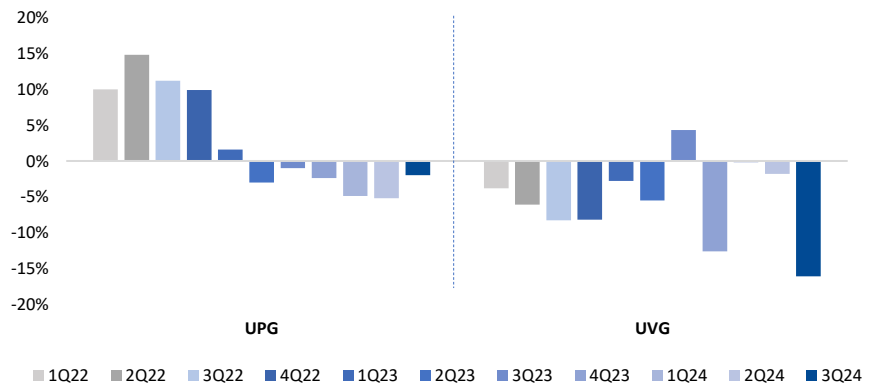
Source: Company, BRIDS Estimates

Exhibit 2. UNVR Earnings Estimate Revision

	Previous			New forecast			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	36,389	37,096	38,341	35,479	35,623	37,005	-2.5%	-4.0%	-3.5%
Gross profit	18,064	18,388	19,009	16,934	16,954	17,653	-6.3%	-7.8%	-7.1%
Operating profit	5,888	5,941	6,231	4,721	4,814	5,126	-19.8%	-19.0%	-17.7%
Net profit	4,551	4,575	4,833	3,628	3,676	3,967	-20.3%	-19.7%	-17.9%
Gross margin	49.6%	49.6%	49.6%	47.7%	47.6%	47.7%			
Operating margin	16.2%	16.0%	16.3%	13.3%	13.5%	13.9%			
Net margin	12.5%	12.3%	12.6%	10.2%	10.3%	10.7%			
Changes in assumption									
	2024F	2025F	2026F	2024F	2025F	2026F			
ASP	-5.6%	0.9%	1.1%	-4.5%	0.9%	1.1%			
Volume	-0.2%	1.0%	2.2%	-3.7%	-0.5%	2.7%			
Opex/revenue	33.5%	33.6%	33.3%	34.4%	34.1%	33.9%			
A&P/revenue	9.0%	8.5%	8.5%	9.7%	9.0%	9.0%			

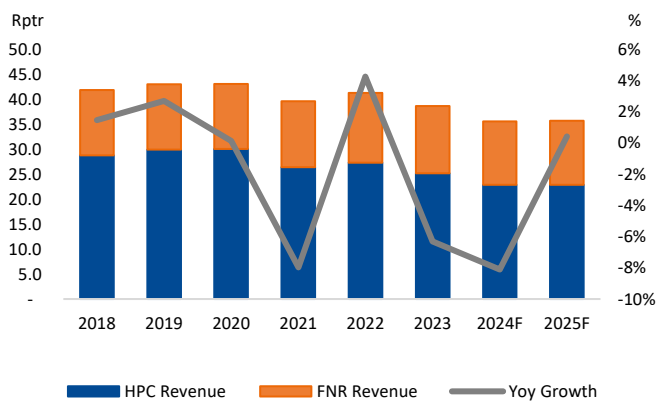
Source: BRIDS Estimates

Exhibit 3. UPG and UVG



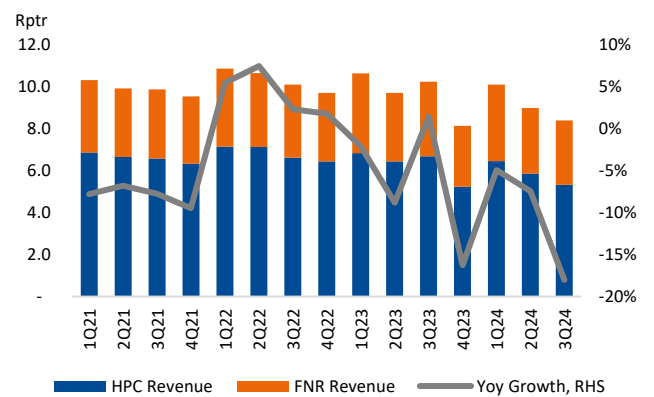
Source: Company, BRIDS

Exhibit 4. Total Revenue and Yoy Growth, FY18-25F



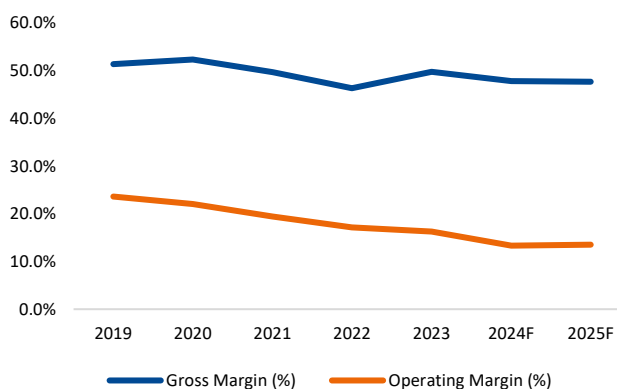
Source: Company, BRIDS Estimates

Exhibit 5. Quarterly Revenue and Yoy Growth, 1Q21-3Q24



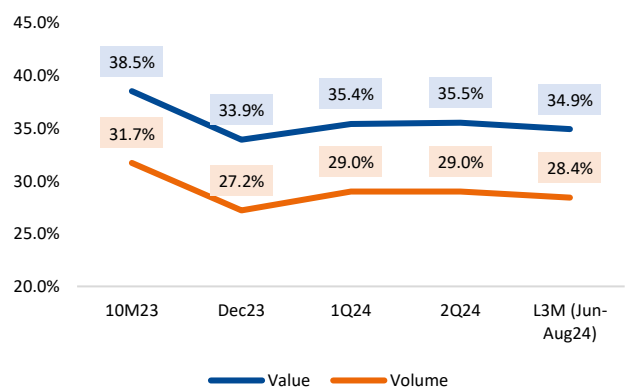
Source: Company, BRIDS

Exhibit 6. Gross and Operating Margin, FY19-25F



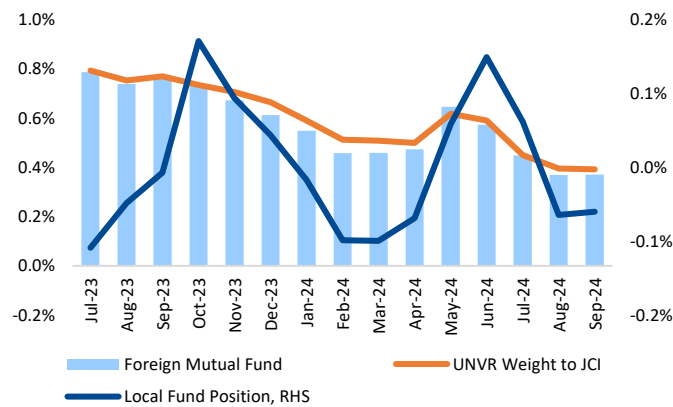
Source: Company, BRIDS Estimates

Exhibit 7. UNVR Market Share – Value and Volume



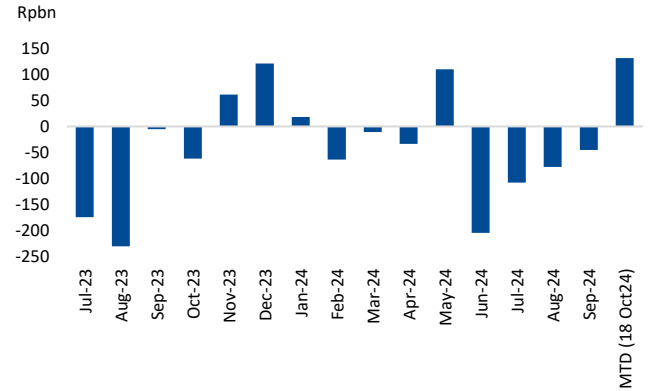
Source: Company

Exhibit 8. UNVR’s Weighting and Fund Position



Source: KSEI, BRIDS

Exhibit 9. UNVR’s Historical Foreign Flows (as of 18 Oct24)



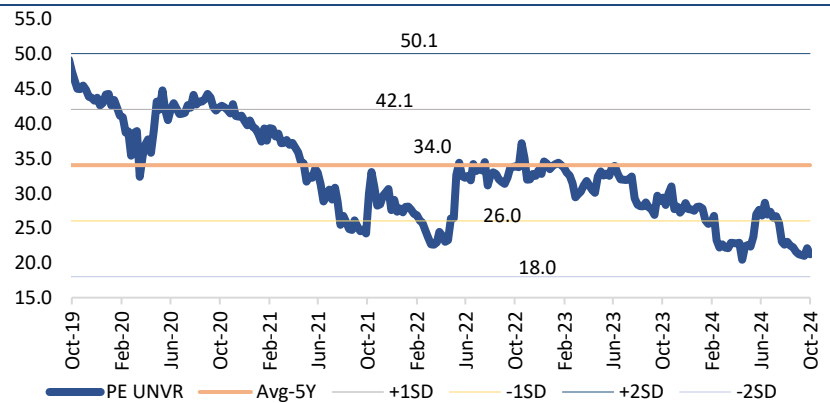
Source: KSEI, BRIDS

Exhibit 10. UNVR Peers comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)	
		(Rp)	(Rpbm)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F	2024F	2025F
ICBP IJ	Buy	12,900	140,818	14.3	13.0	3.1	2.7	23.3	3.4	47.4	9.7	13.6	7.0
UNVR IJ	Sell	1,900	88,890	24.5	24.2	26.2	26.1	107.1	4.1	(24.4)	1.3	(24.4)	1.3
KLBF IJ	Buy	1,800	75,469	24.0	22.4	3.4	3.1	14.6	1.9	18.0	7.4	12.3	8.5
INDF IJ	Buy	8,000	54,658	6.8	6.1	1.0	0.9	15.5	4.4	19.0	11.4	19.3	6.3
MYOR IJ	Buy	3,350	60,592	17.7	16.0	3.5	3.1	21.0	2.7	4.6	11.2	(3.0)	14.6
SIDO IJ	Buy	810	21,000	16.7	15.2	5.7	5.6	34.8	5.5	25.9	10.0	9.4	8.8
Sector - weighted				17.6	16.5	7.6	7.4	37.6	3.4	17.5	8.2	4.1	7.3

Source: BRIDS Estimates, Bloomberg

Exhibit 11. UNVR’s PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 12. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	41,219	38,611	35,479	35,623	37,005
COGS	(22,154)	(19,417)	(18,546)	(18,669)	(19,353)
Gross profit	19,065	19,195	16,934	16,954	17,653
EBITDA	7,880	7,015	5,426	5,518	5,833
Oper. profit	7,069	6,279	4,721	4,814	5,126
Interest income	10	29	26	24	28
Interest expense	(85)	(106)	(60)	(90)	(30)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	6,994	6,202	4,686	4,748	5,125
Income tax	(1,629)	(1,401)	(1,059)	(1,073)	(1,158)
Minority interest	0	0	0	0	0
Net profit	5,365	4,801	3,628	3,676	3,967
Core Net Profit	5,365	4,801	3,628	3,676	3,967

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	503	1,021	693	939	812
Receivables	4,211	2,598	2,929	2,841	3,031
Inventory	2,625	2,422	2,096	2,074	2,419
Other Curr. Asset	229	100	92	92	96
Fixed assets - Net	10,163	9,978	9,837	9,704	9,508
Other non-curr.asset	587	545	539	539	542
Total asset	18,318	16,664	16,186	16,189	16,408
ST Debt	600	0	200	100	0
Payables	4,700	4,064	4,399	4,443	4,458
Other Curr. Liabilities	4,657	4,421	4,117	4,147	4,316
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	4,363	4,798	4,074	4,088	4,206
Total Liabilities	14,321	13,283	12,790	12,778	12,980
Shareholder's Funds	3,997	3,381	3,396	3,411	3,428
Minority interests	0	0	0	0	0
Total Equity & Liabilities	18,318	16,664	16,186	16,189	16,408

Exhibit 14. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	5,365	4,801	3,628	3,676	3,967
Depreciation and Amort.	352	404	706	704	707
Change in Working Capital	233	1,252	223	170	(436)
Other Oper. Cash Flow	907	275	(872)	94	198
Operating Cash Flow	6,857	6,732	3,684	4,643	4,437
Capex	306	(167)	(564)	(571)	(512)
Others Inv. Cash Flow	38	76	26	24	28
Investing Cash Flow	344	(91)	(539)	(546)	(484)
Net change in debt	(1,250)	(600)	200	(100)	(100)
New Capital	0	0	0	0	0
Dividend payment	(5,343)	(4,781)	(3,613)	(3,661)	(3,951)
Other Fin. Cash Flow	(431)	(742)	(60)	(90)	(30)
Financing Cash Flow	(7,024)	(6,123)	(3,473)	(3,851)	(4,081)
Net Change in Cash	177	518	(327)	246	(128)
Cash - begin of the year	325	503	1,021	693	939
Cash - end of the year	503	1,021	693	939	812

Exhibit 15. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	4.2	(6.3)	(8.1)	0.4	3.9
EBITDA	(7.4)	(11.0)	(22.6)	1.7	5.7
Operating profit	(8.0)	(11.2)	(24.8)	2.0	6.5
Net profit	(6.8)	(10.5)	(24.4)	1.3	7.9
Profitability (%)					
Gross margin	46.3	49.7	47.7	47.6	47.7
EBITDA margin	19.1	18.2	15.3	15.5	15.8
Operating margin	17.1	16.3	13.3	13.5	13.9
Net margin	13.0	12.4	10.2	10.3	10.7
ROAA	28.7	27.4	22.1	22.7	24.3
ROAE	129.0	130.1	107.1	108.0	116.0
Leverage					
Net Gearing (x)	0.0	(0.3)	(0.1)	(0.2)	(0.2)
Interest Coverage (x)	83.0	59.3	78.7	53.5	170.9

Source: UNVR, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlich Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.